

KANSAS DEPARTMENT OF CREDIT UNIONS

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KDCU NEWSLETTER

VOLUME 1 NO. 3

June 1, 2006

CREDIT UNION COUNCIL MEETS

The Credit Union Council met on June 1, 2006 in KDCU's conference room. Council members present were Erich Schaefer, Chair, Garden City; Mark Bezdek, Secretary, Topeka; Mark Kolarik, Pittsburg, Denise Bonner, Lawrence; Lee Williams, Wichita, Garth Strand, Hutchinson and William McCurley, Shawnee Mission.

Council elections were held with Erich Schaefer elected as chair, Mark Bezdek, chair-elect and Denise Bonner, secretary.

Reports from the KDCU to the council included: Administrator's report, Annual Operating Fee Report, Legislative Post Audit Report, KDCU Financial Reports, and Credit Union Status Reports.

The Kansas Credit Union Association updated the Council in state and federal credit union legislation.

Kansas Corporate Credit Union described recent changes in the corporate credit union network.

The next meeting of the Credit Union Council will be at 10:00 a.m., September 7, 2006 in the KDCU conference room, 400 Kansas Avenue, Suite B, Topeka, Kansas. The seven-member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

CREDIT UNION BOARD AND COMMITTEE MINUTES

Minutes are a part of books and records concerning the safety and soundness of credit unions (K.S.A. 17-2206). Minutes are a final accurate record of what transpired at a board or committee meeting and are considered a legal document.

Minutes at a minimum consist of the following:

- Name of the credit union
- Date, time, location (address) of meeting
- Complete list of all attendees, determination of a quorum, time of attendance by name for those who arrived after the meeting is formally

convened and departed prior to the end of the meeting

- A copy of the meeting agenda
- Reports such as financial statements, committee reports, etc.
- Approval of loans to be charged off, identified by each loan or an amount corresponding to an attached list
- Approval of new members, unless a membership officer is appointed
- Approval when changing loan rates
- Approval of dividends
- Approval of loans to officials, as required by K.S.A. 17-2216a(b)
- Recording of all motions

Record motions properly. A motion is a formal suggestion made by an attendee at the meeting that has been seconded by another attendee, and then passed by a vote. The secretary or member who records the minutes may need to restate a motion after a lengthy discussion. It is therefore very important to record these motions exactly as they have been stated. An example of how to document a motion is as follows: Moved, seconded, and carried that all members of the Board established the quarterly dividend as 3% on member share accounts. The names of all attendees making and seconding any motions should be recorded.

Record every action taken. Actions taken by consensus are discouraged but if occur should be recorded as part of the minutes.

One final tip would be to read the book Robert's Rules of Order. This is an excellent tool to assist anyone taking minutes. It will help to familiarize you with the format for making, seconding and amending motions.

CREDIT UNION SERVICE ORGANIZATION REVIEWS

Credit union service organizations (CUSO's) who have an investment or loan from a Kansas chartered credit union will receive a review at least every eighteen months. Most CUSO reviews will be completed during the examination process of a credit union having an investment in, or a loan to the CUSO being reviewed. The purpose of the review is to determine:

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ADMINISTRATOR'S COMMENTS

- If the investment or loan complies with statutes and regulations
- If the CUSO is engaged in permissible activities or services
- The degree of risk the CUSO poses to the credit union
- The ongoing feasibility of the CUSO

Documents required for the CUSO review will include financial information, the last audit, a list of officials and employees, all contracts, and a list of all activities and services being offered by the CUSO.

Limitations on investments and loans a credit union may make to a credit union service organization (CUSO) are addressed in K.S.A. 17-2204a (b), and additional CUSO regulations may be found in K.A.R. 121-3-1.

SINGLE CREDIT RATING FROM CREDIT BUREAUS

The three major credit bureaus, Equifax, Experian and TransUnion announced they will begin marketing a single credit score, called VantageScore, to lenders this year. Initially, the single score will be available to lenders. Consumers will have the option of purchasing the score later. With the introduction of the VantageScore, consumers will have access to purchasing five different credit scores.

According to the Wall Street Journal, the VantageScore will be a competitor to the industry leading score, the FICO scoring system. The FICO scoring system is developed and marketed by Fair Isaac Corporation from Minneapolis, Minnesota.

The FICO scoring system has a range of 300 to 850, with 850 being the highest score representing outstanding credit history. The VantageScore system will have a scoring range of 500 to 990 which will correspond to the academic grading system of A through F. A will represent scores above 900 and a B will represent scores between 800 and 900.

Legislative Post Audit:

The Kansas Legislature's Division of Post Audit has presented their report [Reviewing the Department of Credit Unions' Procedures for Ensuring Institutions' Safety, Soundness, and Compliance with the Law](http://www.kslegislature.org/postaudit/audits_perform/06pa01a.pdf) to the Legislative Post Audit Committee; the complete report with KDCU's response, appendix C, is at http://www.kslegislature.org/postaudit/audits_perform/06pa01a.pdf. I would urge your reading the report and our response. Please contact me if you have questions or comments regarding the report.

Annual Operating Fee Assessment

Fee assessments will be mailed to credit unions by July 1, 2006. Fees are based on credit union asset size as of 12/31/2005. The formula for FY2007 will not change; therefore, other than for asset growth the fee assessment for your credit union will not increase.



John P. Smith, Administrator

KDCU STAFF

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